

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 SS-15 NSC-05 L-03 FRB-03 OMB-01

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INFO ALL OECD CAPITALS

C O N F I D E N T I A L STATE 018780

E.O. 11652:GDS

TAGS: ETRD, OECD

SUBJECT: PROPOSAL FOR FEBRUARY MEETING OF OECD HIGH-LEVEL
GROUP ON COMMODITIES

REF: STATE 13335

1. REFTEL OUTLINES US THINKING ON FORTHCOMING CIEC COMMIS-
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SION ON RAW MATERIALS (CORM) MEETING SCHEDULED TO BEGIN IN

PARIS FEBRUARY 11 AND OUR WILLINGNESS TO SUPPORT OECD HIGH-LEVEL GROUP ON COMMODITIES MEETING PRIOR TO THAT DATE TO OUTLINE OUR CORM STRATEGY. IN THIS CONNECTION, WE HAVE SUGGESTED THAT THE GROUP B PAPER AGREED AD REFERENDUM AT THE DECEMBER MEETING OF UNCTAD'S COMMITTEE ON COMMODITIES MIGHT BE USED AS A STARTING POINT FOR DISCUSSION OF GENERAL PRINCIPLES IN THE CORM.

2. WE WOULD HOPE TO CONFINE DISCUSSION AT HLGC LARGELY TO CORM STRATEGY AND THE ISSUE OF WHETHER OR NOT THE GROUP B PAPER SHOULD BE USED IN CORM AND IF SO HOW, AVOIDING LINE-BY-LINE EXAMINATION OF ITS TEXT. IN THIS CONNECTION, WE NOTE THAT THE ONLY OUTSTANDING ISSUE AMONG GROUP B COUNTRIES IN GENEVA ON THIS PAPER CONCERNED SUPPLY AND MARKET ACCESS.

3. IN THE ABSENCE OF AN AGREED FORMULATION, SUPPLY AND MARKET ACCESS WERE SIMPLY NOTED IN THE PAPER AS REQUIRING FURTHER CONSIDERATION BY GROUP B. THE AUSTRALIAN DELEGATION INSISTED THAT ANY FORMULA ON SUPPLY AND MARKET ACCESS BE COMPLETELY BALANCED BETWEEN THE TWO. BUT THE PRINCIPAL DISAGREEMENT WAS BETWEEN THE FRENCH AND THE CANADIANS. THE CANADIAN DELEGATION INSISTED THAT ANY FORMULATION (1) NOT BE LIMITED SOLELY TO TRADE BETWEEN DEVELOPED AND DEVELOPING COUNTRIES, (2) NOT PREJUDICE CONSIDERATION OF THESE ISSUES AT THE MTN, (3) INCLUDE UNDER MARKET ACCESS PRODUCTS IN ALL REPEAT ALL STAGES OF PROCESSING. THE FRENCH DELEGATION WOULD NOT ACCEPT ANY FORMULA ON MARKET ACCESS THAT WENT BEYOND SEMI-PROCESSED PRODUCTS.

4. AT ONE POINT ALL DELEGATIONS AGREED ON THE FOLLOWING RATHER INELEGANT FORMULATION EXCEPT FOR THE TWO PHRASES IN BRACKETS, WHICH REFLECTED THE CONFLICTING VIEWS OF THE CANADIAN AND FRENCH DELEGATIONS AS EXPLAINED ABOVE: QUOTE TO REACH COMMON GROUND ON WHICH UNDERSTANDINGS AND AGREEMENTS CAN BE ACHIEVED IN THE APPROPRIATE FORUMS RELATING TO THE QUESTIONS OF (A) ACCESS TO MARKETS FOR PRIMARY PRODUCTS (AND THE SEMI-PROCESSED PRODUCTS THEREOF) (AND THE MANUFACTURED PRODUCTS THEREOF) AND (B) THE

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RELIABILITY OF SUPPLIES OF PRIMARY PRODUCTS--WITH PARTICULAR ATTENTION TO THE INTERESTS OF DEVELOPING COUNTRIES. UNQUOTE

5. IN OUR VIEW, REFERENCE TO SUPPLY AND MARKET ACCESS IS ESSENTIAL TO ANY STATEMENT OF OVERALL INTERNATIONAL COMMODITY POLICY. WE RECOGNIZE THE PRIMACY OF THE MTN IN SUPPLY/MARKET ACCESS QUESTIONS AND INTEND TO PURSUE

OUR OWN IDEAS ON THE SUBJECT THROUGH THAT FORUM. BUT SINCE SUPPLY AND MARKET ACCESS ARE SUCH A MAJOR PART OF OUR COMMODITY POLICY AND STRATEGY--PARTICULARLY IN OUR RELATIONS WITH DEVELOPING COUNTRIES--WE CANNOT ACCEPT THEIR EXCLUSION ON THE GROUNDS THEY ARE BEING HANDLED ELSEWHERE. ON THIS REASONING, REFERENCES TO COMPENSTORY FINANCING, WHICH ARE HANDLED PRINCIPALLY IN THE IMF, WOULD ALSO BE EXCLUDED, AND MANY OTHER TOPICS AS WELL.

6. WE BELIEVE THIS ISSUE SHOULD BE RESOLVED PROMPTLY AND WELL IN ADVANCE OF HLGC MEETING TO AVOID LOSS OF THE GROUP'S TIME ON SPECIFICS OF THE GROUP B PAPER WHEN WE BELIEVE MEETING SHOULD BE DEVOTED TO OVERALL STRATEGY

OF DEVELOPED COUNTRIES IN CORM. OECD MISSIONS IN PARIS MAY BE BEST CHOICE TO COORDINATE DISCUSSION OF THIS ITEM IN ADVANCE. AMEMBASSIES PARIS AND OTTAWA SHOULD MAKE THIS SUGGESTION TO HOST GOVERNMENTS. US OECD MAY ALSO CONVEY THIS VIEW TO THE OECD SECRETARIAT AS WELL AS OTHER OECD MISSIONS, INDICATING US INTEREST IN EARLY RESOLUTION OF THE ISSUE ON TERMS ACCEPTABLE TO ALL, INCLUDING THE U.S. SISCO

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